

# **Guidance Note**

## **Boards of Management**

### **Relevant Contracts Tax/Value Added Tax**

Boards of Management can be involved in a range of activities including: Construction Projects, Summer Works, Emergency Works, Major Devolved Projects, Additional Accommodation Schemes as well as day to day repairs that bring them within the scope of Relevant Contracts Tax (RCT) and, as a consequence, Value Added Tax (VAT).

It is important that boards are aware of and understand their obligations in relation to these taxes. This note sets out to give general guidance to boards on RCT, how it can apply to contracts entered into by the board, how RCT operates and why VAT must be accounted for by the board.

**This document has been updated in December 2016. The changes from the previous version (published in August 2016) are listed hereunder.**

<b>Page</b>	<b>Paragraph Heading/FAQ</b>	<b>Change</b>
8	Deduction Authorisation:	Inclusion of narrative in relation to Penalties on unreported payments
29	A new FAQ has been inserted at C2. Resulting in the existing FAQ's being renumbered	A new FAQ has been inserted at C2 in relation to payments made to subcontractors without receiving a Deduction Authorisation from Revenue

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## **What is Relevant Contracts Tax?**

Relevant Contracts Tax (RCT) is a withholding tax system that operates in the construction, forestry and meat processing sectors. Where a principal contractor in those sectors makes a "relevant payment" to a subcontractor, RCT must be operated. There must be a principal contractor making a relevant payment before RCT can apply.

## **Who is a principal contractor and what is a relevant payment?**

### **Principal Contractor**

Principal contractors are defined in the legislation (Section 530A, Taxes Consolidation Act 1997 as amended). The definition includes "any board or body established by or under statute ... and funded wholly or mainly out of funds provided by the Oireachtas". As such, school Boards of Management are principal contractors for the purposes of RCT.

### **Relevant Payment**

A relevant payment is a payment made under a contract for relevant operations as defined in the legislation. Where a principal contractor makes a "relevant" payment to a subcontractor, RCT must be operated, tax deducted if appropriate and remitted to Revenue. The whole contract is subject to RCT if any part of that contract is subject to RCT.

### **Construction Operations**

The following are examples of the types of activities defined as "Construction Operations" in Section 530 (a) to (g) Taxes Consolidation Act 1997, as they might apply to Boards of Management:

*(a) the construction, alteration, repair, extension, demolition or dismantling of buildings or structures*

This paragraph includes building projects such as extensions, new buildings or additional accommodation. It also includes the erection of "structures" such as gates, traffic lights, road signs, parking meters and sheds.

### **Alterations**

"Alteration" is not defined in the legislation. Legal opinion is that there must be an element of materiality to the change in the building or structure. Examples of alteration include painting a building, replacing all the windows or doors in a building etc.

Minor changes such as painting one wall or replacing one door in a building would not be considered sufficient.

### **Repairs**

As "structure" is not defined in the legislation Revenue take the view that reasonably large items set in place on a permanent or semi-permanent basis are considered to be structures.

The repair of such structures and the repair of any part of a building, or of any system that has become a part of the fabric of the building, is also included and may encompass "emergency works" carried out by a Board of Management.

## **Maintenance**

Maintenance only contracts are outside the scope of RCT. Examples of maintenance include cleaning, removal of graffiti, unblocking of drains etc.

## **Repair and maintenance**

Contracts that are for repair work, or for repair and maintenance, are included. Repair includes the replacement of constituent parts e.g. the repair of a broken window by installing a new pane of glass or the repair of a tiled floor by replacing one or two broken tiles. Maintenance only contracts are not included.

*(b) the construction, alteration, repair, extension or demolition of any works forming, or to form, part of the land, including walls, road works, power lines, telecommunication apparatus, ..... pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage*

This paragraph includes work relating to telecommunication apparatus but this only extends to masts, underground cabling, telephone poles etc. For other aspects of the telecommunications industry see paragraph (ca) below.

Also included is the building of new roads and footpaths and repairs to existing ones. However routine road maintenance, clearing blocked drains and cleaning of roads and paths (including the removal of chewing gum) would not be included.

*(c) the installation, alteration or repair in any building or structure of systems of heating, lighting, air-conditioning, soundproofing, ventilation, power supply, drainage, sanitation, water supply, burglar or fire protection*

This paragraph applies to the installation, alteration or repair of systems in a building or structure.

Alterations (the installation of "add-on" or stand alone packages to systems already in place) must be "material" to bring the work within the definition.

If a contract to service a system includes a liability to carry out repairs, then the contract is within the scope of RCT. Otherwise it is purely a maintenance contract and not subject to RCT.

*(ca) the installation, alteration or repair in or on any building or structure of systems of telecommunications*

This paragraph covers the installation of systems to facilitate two-way communication by phone, whether mobile, landline or via the internet. As with paragraph (c) it only applies to systems.

As 'systems of telecommunications' will continue to evolve over time, the provision is designed to accommodate this evolution.

*(d) the external cleaning of buildings (other than cleaning of any part of a building in the course of normal maintenance) or the internal cleaning of buildings and structures, in so far as carried out in the course of their construction, alteration, extension, repair or restoration*

Cleaning is only a construction operation when it takes place in the context of an overall construction operation i.e. the cleaning that is necessary after a building or structure is erected, altered, repaired etc.

### ***Routine cleaning***

Normal day-to-day routine cleaning operations are not construction operations. Specialist cleaning jobs such as the removal of graffiti from buildings or structures are not construction operations. However if the removal of the graffiti involves a repair to the building or structure this repair would be a construction operation.

*(e) operations which form an integral part of, or are preparatory to, or are for rendering complete such operations as are described in paragraphs (a) to (d), including site clearance, earth-moving, excavation, tunnelling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping and the provision of roadways and other access works*

This paragraph brings a whole range of activities that can be encountered on a building project within the definition of construction operations. Any activities that could be considered to be integral to an overall building project, not just the specific activities mentioned in the legislation, are covered. For example the hire of a crane with a driver, or where the subcontractor erects and dismantles the crane, would be covered by this definition, as would the erection of scaffolding and the hire of skips to remove waste material related to construction activity.

### ***Site investigations***

Site investigation operations, except where these are imposed on the builder by regulation (such as archaeological investigations or environmental impact studies) would normally be considered to be construction operations where they involve a considerable degree of labour intensive fieldwork. If the investigations carried out are such that without them the design/construction of the building (leaving aside investigations which are imposed on the contractor by regulation) could not actually proceed, these investigations are considered to be an integral part of, or preparatory to, the construction operation.

Work that is ancillary to the project or imposed on the contractor would not be considered construction operations. If the work is more of a professional services nature and the fieldwork is a very minor part of the investigations then RCT would not apply to any part of the contract. Where there is a significant amount of fieldwork (i.e. drilling, excavation etc) involved and the activity is integral, or preparatory, to the construction operation then a charge to RCT will apply to the full consideration where a single invoice is issued for the fieldwork and professional services.

### ***Archaeological digs***

Archaeological digs are not considered an integral part of, or preparatory to the construction operation and are therefore not subject to RCT.

### ***Excavation, drilling and fieldwork***

Geo-technical work involving excavation, drilling and other fieldwork to provide information necessary for the design and/or construction of a building or structure would generally be considered an integral part of, or preparatory to, construction. A contract for geo-technical services may involve significant fieldwork with some laboratory work and consultancy. Where the fieldwork is the significant part of the contract the full contract is subject to RCT.

### ***Rendering complete***

A number of other activities also come within this paragraph. Where a new building is under construction or an existing building is being refurbished, all the activities necessary to

render the building complete would be considered to be construction operations. These would include plastering, painting, fitting kitchens and bathrooms, tiling, laying carpets and the installation of certain types of fitted blinds. Some of these activities would not necessarily be considered to be construction operations if they took place outside the context of "rendering complete" for example certain painting jobs and the installation of blinds.

### ***Landscaping***

It should be noted that landscaping is only a construction operation when it is carried out as part of rendering complete a construction project. Contracts for landscaping work entered into by principal contractors such as boards of management where the landscaping is not part of an overall construction project are not within the RCT remit.

*(f) operations which form an integral part of, or are preparatory to, or are for rendering complete, the drilling for or extraction of minerals, oil, natural gas or the exploration for, or exploitation of, natural resources*

It is assumed that this paragraph will not apply in the context of school boards of management.

*(g) the haulage for hire of materials, machinery or plant for use, whether used or not, in any of the construction operations referred to in paragraphs (a) to (f)*

This paragraph includes all haulage operations related to the construction industry carried out by self-employed haulage operators. It includes the transportation of construction materials and machinery or plant used in construction operations. The delivery of ready to pour concrete to a building site by an employee of the manufacturer or distributor (irrespective of where or how it is placed at the site) is not considered to be a construction operation. It is considered to be the supply of building materials. However, where either the supplier or the builder hires a self-employed haulier to deliver the concrete, this operation is considered to be a construction operation.

## How does the RCT system operate?

RCT now operates as an electronic system.

**Registering for Revenue's Online Service (ROS):** All interaction between the principal contractor and Revenue is through Revenue's Online Service (ROS). All Boards of Management therefore should make arrangements to register for ROS, unless they have engaged a tax advisor/agent/bookkeeper to carry out all RCT functions on their behalf. Note that because of the strict security features of the ROS system, it can take up to 10 days to complete the registration process.

Further information on registering for ROS is available at <http://www.ros.ie/PublisherServlet/info/setupnewcust>.

## The key features of the RCT system from a principal contractor's perspective are:

### Contract Notification:

The principal contractor must notify Revenue through ROS of all relevant contracts entered into. Before notifying the contract the principal contractor must satisfy themselves as to the identity of the subcontractor.

### Payment Notification:

The principal contractor must notify Revenue through ROS of all relevant payments *before* they are made. The gross payment (VAT exclusive amount if the VAT reverse charge applies) must be advised to Revenue. Note that the contract must be notified to Revenue before any relevant payments under that contract can be notified.

### Deduction Authorisation:

Revenue will respond to the Payment Notification with a Deduction Authorisation setting out how much tax, if any, must be withheld from the payment. The rates of tax are currently set at 0%, 20% or 35%. The Deduction Authorisation is sent electronically to the principal contractor. The principal contractor must provide a copy, or details, of the Deduction Authorisation to the subcontractor if tax has been deducted.

A Principal contractor who makes a relevant payment to a subcontractor without having first received a Deduction Authorisation from Revenue in relation to that payment shall be liable to a penalty. See *Section C - Payments made under relevant contracts, the VAT Reverse Charge, Invoices* at the back of these guidelines.

### Deduction Summary/Return:

At the end of the filing period a Deduction Summary is made available electronically to the principal contractor detailing all the payments notified to Revenue during the filing period. The principal contractor should check the Deduction Summary for accuracy and amend or add to, if necessary. Otherwise the Deduction Summary is deemed to be the return on the return filing date. Further information on checking the deduction summary is available at <http://www.revenue.ie/en/tax/rct/deduction-summary-return.html>



**Payment of RCT due:**

The principal contractor must pay any RCT deducted before the due date for the return (23rd day after the end of the period covered by the return). In general returns are made monthly. Businesses making total annual RCT payments of up to €28,800 may be eligible to file RCT returns and make payments on a three monthly basis. Revenue will notify you if you qualify for the reduced frequency of tax returns and payments.

## Why is it necessary to register for Value Added Tax?

Where a public body, including a Board of Management, receives construction services, other than haulage for hire, it must account for Value Added Tax (VAT) on such services to Revenue. The method of accounting for VAT in such cases is known as reverse charge. In effect, the public body, which receives the services, charges itself the VAT that would otherwise be charged by the subcontractor. The public body accounts to Revenue for that VAT. Such public bodies are required to be registered for VAT. The public body should not pay any VAT over to subcontractors.

The process is that the subcontractor should invoice the public body net of VAT and the public body should calculate the VAT due on services from the subcontractor and include the VAT in the VAT 3 return.

Public bodies are generally not entitled to deductibility for VAT incurred, therefore the "VAT on Purchases" figure will be NIL. The VAT payable to Revenue will be the full amount of the VAT arising on the construction services.

RCT should be deducted (where required) from the VAT exclusive amount. The VAT exclusive amount is the amount before any VAT is added.

## How does the VAT Reverse Charge system operate?

All Government Departments, Local Authorities, boards established by or under Statute and certain other public bodies who are in receipt of construction services are regarded as principal contractors for RCT purposes. Those providing such services are referred to as subcontractors for RCT purposes.

Where a board receives construction services, other than haulage for hire, it must account for VAT on such services to Revenue. The method of accounting for VAT in such cases is known as reverse charge. In effect, the board, which receives the services, charges itself the VAT that would otherwise be charged by the subcontractor. The board accounts to Revenue for that VAT.

### Invoicing

The subcontractor should invoice to the Board of Management net of VAT, showing all the information required on a VAT invoice including the VAT number, but excluding the VAT rate and the VAT amount. The invoice should also contain the statement **'VAT on this supply to be accounted for by the Principal Contractor'**. The board should not pay any VAT over to subcontractors. The board should calculate the VAT due on services from the subcontractor and include the VAT in the VAT 3 return as VAT on Sales. The attached link provides details on VAT invoicing

<http://www.revenue.ie/en/tax/vat/guide/Invoicing>

### Treatment of non VAT registered subcontractors and non-resident subcontractors.

If a subcontractor is not VAT registered because his turnover is under the threshold he will not have a VAT number. VAT is not then due on the supply.

However, where a subcontractor who is not resident in the state makes a supply to a principal contractor VAT is due on the supply irrespective of whether the subcontractor provides an Irish VAT number. Where the invoice for construction operations that are subject to RCT is presented to a school, and the invoice shows a charge to foreign VAT, the foreign VAT should not be paid. The school should calculate the Irish VAT due at 13.5% on the VAT exclusive amount shown on the invoice, and show this amount on the VAT return.

Boards of Management are not entitled to deductibility for VAT incurred, therefore the "VAT on Purchases" figure in the VAT 3 form will be NIL. The VAT payable to Revenue will be the full amount of the VAT arising on the construction services.

### **Supplies of goods or services other than construction services**

Where a subcontractor supplies goods or services other than construction services as part of a contract, the VAT reverse charge does not apply. The subcontractor should issue a VAT invoice for the goods and services other than construction services including VAT, and account for the VAT in his VAT return. A VAT reverse charge invoice should be issued to the board, for any construction services provided as part of the contract and the board will account for the VAT on this invoice.

### **If the Board applies RCT to all payments made to a subcontractor, even if some of the services supplied are not construction services, what is the VAT treatment of the non-construction services?**

Reverse charge should only be applied to those services that are construction operations. For example, an alarm company installs an alarm system for a Board of Management and gets the contract for the routine maintenance of the alarm. The installation of the alarm is subject to reverse charge so the Board accounts for the VAT. The maintenance service is not subject to reverse charge and the alarm company should account for the VAT on the maintenance service. The alarm company should issue a reverse charge invoice for the installation and a VAT invoice for the maintenance.

### **What is the two-thirds rule?**

Where the VAT exclusive cost of goods supplied in the course of providing a service exceeds two-thirds of the total VAT exclusive charge for the supply, the rate of VAT applicable is the rate that applies to the goods.

**The two-thirds rule does not apply to construction services supplied by subcontractors to principal contractors;** the two-thirds rule continues to apply in relation to other services.

## Example

**The following example shows a step-by-step guide to the operation of RCT and VAT Reverse Charge in relation to construction services provided to Boards of Management.**

### Scenario

A subcontractor is engaged to carry out repairs to the school amounting to €20,000 before VAT is added. The payment is due to be made on 8<sup>th</sup> July 2016 and is regarded as a construction service subject to the VAT Reverse Charge rules.

On entering into the contract the board will notify the contract on ROS by completing the **Contract Notification** process. The attached link provides details of the information required to notify a contract in ROS. [www.revenue.ie/en/tax/rct/contract-notification.pdf](http://www.revenue.ie/en/tax/rct/contract-notification.pdf)

The Board of Management will complete the **Payment Notification** process through ROS on or before the 8<sup>th</sup> July 2016. This requires the board to select the contract previously notified and to enter the gross amount of the payment to be made. In the above scenario the gross payment to be entered should be €20,000.

A **Deduction Authorisation** will issue to the ROS inbox advising the board of the amount of RCT to be deducted from the payment (0%, 20% or 35% as appropriate). If for example the board is authorised to deduct tax at 20%, the board will make a payment of €16,000 (€20,000 less €20,000 @ 20%) to the subcontractor. The board must give a copy of the Deduction Authorisation to the subcontractor.

Shortly after the end of July, a **Deduction Summary** will be made available electronically to the board detailing all payment notifications made during the period. The board should check the Deduction Summary for accuracy. If the deduction summary is correct, the board needs only to arrange payment of €4,000 (€20,000 @ 20%) to Revenue on or before 23<sup>rd</sup> August 2016. There is no requirement to file the deduction summary in these circumstances and the return will be deemed filed by Revenue on your behalf on the return filing date (23<sup>rd</sup> August 2016). If the deduction summary is not correct, the board should make the necessary amendments, submit the deduction summary and arrange for payment of €4,000 (€20,000 @ 20%) to Revenue on or before the 23<sup>rd</sup> August 2016. Details of how to access the Deduction Summary are available at the following link

<http://www.revenue.ie/en/tax/rct/accessing-your-summary.pdf>

Details of how to amend the deduction summary are available at the following link

<http://www.revenue.ie/en/tax/rct/checking-your-summary.pdf>

The board will also need to file the VAT return and make payment of €2,700 (€20,000 @13.5%) to Revenue for the July/August VAT period on or before 23<sup>rd</sup> September 2016 through ROS.

## **Where can I get information on Registering for ROS?**

Full information is available at <http://www.ros.ie/PublisherServlet/info/setupnewcust>

## **How can I register for RCT and VAT?**

Once you are registered for ROS, you can use Revenue's eRegistration service.

<http://www.revenue.ie/en/online/eregistration/index.html>

Otherwise you may register by completing a Form TR1 available at

[www.revenue.ie/en/tax/vat/forms/formtr1.pdf](http://www.revenue.ie/en/tax/vat/forms/formtr1.pdf)

## **Where can I get information on the operation of RCT?**

Full information on the RCT system is available at

<http://www.revenue.ie/en/tax/rct/principal-contractors.html>

## **Where can I get information on VAT and VAT Reverse Charge?**

Full information on VAT is available at

[Guide to VAT](#)

[Vat Guide - Reverse Charge Construction](#)

## **Appendix I - Frequently Asked Questions (FAQs)**

This appendix collates responses to the questions raised by Boards of Management and their representative bodies and offers further clarity on some of the topics in the main body of the guidelines.

### **The FAQ's are grouped together in 4 Sections**

- Section A     General application of RCT/VAT Reverse Charge
- Section B     Entering into a relevant contract – Treatment of payments under a relevant contract
- Section C     Payments made under relevant contracts, the VAT Reverse Charge, Invoices
- Section D     Returns and Payment of Taxes Online

## Section A - General Application of RCT/VAT Reverse Charge

### **A1 Fee paying schools are not mainly funded by the State. Why are they included as Principal Contractors and obliged to operate RCT/VAT?**

Boards of Management in fee paying schools are regarded as Principals for the purposes of the Taxes Acts. The reference to "any board established by or under statute" has been included in the RCT legislation since 1976.

The reference to "any board or body established by or under royal charter and funded wholly or mainly out of moneys provided by the Oireachtas" was introduced by Finance Act 2007. The reference to moneys provided by the Oireachtas is in relation to boards established by or under Royal Charter **only**, and is not intended to apply to any other board or body established under statute, as the reference to moneys provided by the Oireachtas was not included in the RCT legislation in 1976.

### **A2 Who on the Board of Management is responsible for ensuring that RCT and VAT are operated correctly?**

As regards the responsibilities of Board members, most boards have responsibilities in relation to other Taxes and RCT is no different to these. The duties and responsibilities of the Board or its members are matters for the Board to decide having regard to the appropriate legislation and advice from the Department of Education and Skills.

### **A3 How does the Board register for ROS, RCT, and VAT?**

*Registering for Revenue's On-Line Service (ROS)*

Revenue's On-Line Service (*ROS*) is an internet facility which provides customers with a quick and secure facility to file tax returns, pay tax liabilities and access their tax details, 24 hours a day, 7 days a week, 365 days a year. The main features of **ROS** include facilities to:

- File returns online
- Make payments by laser card, debit instruction (or by online banking for Income Tax only)
- Calculate tax liability
- Conduct business electronically
- Claim repayments

All RCT and VAT transactions are now carried out electronically through ROS.

ROS has a simple three-step registration process. From the ROS homepage click on 'Register' under the Self-employed Individuals, Business and Practitioners heading and follow the 3 step process. You will be issued with a Digital Certificate when you have completed the 3 steps. Your Digital Certificate enables you to access ROS and utilise its full menu of services.

To ensure the security of the service, the authentication procedure involves issuing correspondence via land mail. The whole process typically takes 8 working days, so you should be sure to start the process well in advance of any filing deadlines that may apply.

Further details on ROS registration is available here:  
[www.ros.ie/PublisherServlet/info/setupnewcust](http://www.ros.ie/PublisherServlet/info/setupnewcust)

### *Registering for RCT and VAT*

You must be registered for ROS before you can use the eRegistration facility. eRegistration is a Revenue initiative to enable Agents and Customers who have registered with ROS or PAYE Anytime to manage their Revenue registrations online. It was significantly enhanced in 2012, and it now represents a comprehensive alternative to paper-based correspondence.

While a paper application is still required in a limited number of registration transactions, all paper applications received which could otherwise be completed online will be returned to the customer or their agent with a request that the transaction be dealt with online.

Most Boards of Management are able to register using the eRegistration facility. If any difficulties arise, you should contact your local [Revenue office](#).

Should you have any queries on the eRegistration system, some common questions on the operation of the system are available in the [eRegistration FAQs](#).

## **A4 We have no work planned for this year. Do we still have to register for ROS, VAT, and RCT?**

RCT/VAT applies to more than just major building works. It also encompasses alteration, repair, extension, demolition or dismantling of structures or buildings and the alteration or repair of systems including heating, lighting, water, power and ventilation systems.

Every Principal Contractor who enters into a relevant contract must be registered with Revenue. While no major works may be in the pipeline, it is likely that all schools will have some level of repairs to be carried out over the course of the year.

As the ROS Access Number (RAN) is issued by post, it can take up to 8 working days to finalise the registration process. It is recommended therefore that you register for ROS, VAT and RCT as soon as possible so that you will be in a position to interact with the system as contracts are entered into.



**A5 Do we have to remain registered for RCT/VAT even though we have no further building works being carried out?**

RCT/VAT applies to more than just major building works. It also encompasses alteration, repair, extension, demolition or dismantling of structures or buildings and the alteration or repair of systems including heating, lighting, water, power and ventilation systems.

While no major works may be in the pipeline, it is likely that all schools will have some level of repairs to be carried out over the course of the year. It is recommended therefore that you remain registered for VAT and RCT so that you will be in a position to interact with the system as contracts are entered into.

**A6 Can more than one person in the office access the ROS system using one digital certificate, or should each user register separately?**

Only one digital certificate should be requested per tax reference number. The ROS administrator can then create subsidiary certificates that can be used by other users in the office.

**A7 Is there an amount that can be paid without RCT/VAT being operated?**

Where payments are subject to RCT (and VAT) under a relevant contract, there is no minimum amount that can be paid without operating RCT or the VAT reverse charge.

Note also that the obligation to operate RCT and account for VAT is not confined to building works funded by the Department of Education and Skills. RCT applies to all construction works ranging from major construction projects to general alteration or repair works.

**A8 What is the correct procedure where non-resident subcontractors are engaged to carry out work in a school?**

Where the work is carried out in the State, Irish VAT and RCT rules apply. Non-resident contractors are treated the same as resident contractors. Unestablished traders carrying out work in the State should be registered for Irish VAT and apply the VAT Reverse Charge rules.

Where an invoice for *construction operations* that are subject to RCT is presented to a school, **and the invoice shows a charge to foreign VAT, the foreign VAT should not be paid.** The school should calculate the Irish VAT due at 13.5% on the VAT exclusive amount shown on the invoice, and show this amount on the VAT return.

**A9 Are payments to caretakers and handymen subject to RCT/VAT?**

The key question here is the employment status of the person engaged to do the work. Caretakers are generally employees who, amongst other duties, are employed to look after the buildings and areas around them. Payments to caretakers employed by the school should be subjected to PAYE/PRSI/USC in a similar manner to all other payments to employees.

A handyman may also be employed by the school and if so payments should be treated as above. If however the handyman is not an employee but a self-employed contractor then payments made to the handyman for the carrying out of construction operations are subject to RCT/VAT.

Guidance on determining whether a worker is an employee or self-employed contractor is available [here](#):

**A10 Are schools obliged to operate RCT/VAT if the subcontractor has a valid Tax Clearance Certificate?**

Yes. Subcontractors who hold a Tax Clearance Certificate are not excluded from the operation of RCT/VAT.

**A11 What is the position where the works are funded by the parents association?**

RCT should be operated on all payments under a relevant contract between a principal contractor and a subcontractor to carry out relevant operations.

Parents associations are not principal contractors for the purposes of RCT. However, where the moneys raised by the parents association in the name of the school are donated to the board of management who then engage the contractors to carry out the work then the board of management is a principal contractor.

If the relevant contract is between the board and the subcontractor, then any payments under that contract, even those paid by a third party, are liable to RCT.

**A12 How should voluntary construction work carried by parents be treated?**

"Voluntary" work by its nature is unpaid, so no exposure to RCT would arise.

**A13 How do schools treat payments made to parents of pupils who occasionally carry out repair work/jobs?**

RCT should be operated on all payments under a relevant contract between a principal contractor and a subcontractor to carry out relevant operations.

The question to be asked is does the work come under a relevant contract. If it does then the payments to the subcontractor/parent are subject to RCT. If the subcontractor/parent is registered for VAT, then the VAT Reverse Charge rules must be applied.

## **Section B - Entering into a relevant contract - Treatment of payments under a relevant contract**

Questions frequently arise as to whether a service or supply detailed on an invoice/document is subject to RCT and/or the VAT Reverse Charge.

In considering whether a payment is subject to RCT, **the contract under which the payment is being made must be examined** to determine if it is a relevant contract. If it is a relevant contract, then **all** payments under that contract must be subjected to RCT.

In considering whether the VAT Reverse Charge should apply to a payment, the service/supply on the invoice/document must be examined to determine if it is a construction operation. If it is not a construction operation, then normal VAT rules apply and the payment is not subject to the VAT Reverse Charge.

In practice, the decision on most contracts/payments will be clear cut and the operation of RCT and VAT will be straightforward. Issues are most likely to arise in the case of mixed contracts (repair and maintenance contracts for example See B11).

### **B1 What is a relevant contract?**

A relevant contract is a contract to carry out relevant operations. In the context of Boards of Management relevant operations will solely be construction operations. Examples of construction operations are set out on Page 3 of the guidelines.

Contracts can be written, verbal or implied and no distinction is made between them.

Where *any part of a contract* is for relevant operations then the contract as a whole is a relevant contract and all payments under that contract are liable for RCT.

The VAT Reverse Charge only applies to payments that are in respect of construction operations, excluding haulage for hire (See Section C).

### **B2 Should all subcontractors have a tax clearance certificate?**

Department of Finance Circular 43/2006, as revised, sets out the procedures to be followed in respect to the award of public sector contracts. In brief, in the case of all public service contracts of a value of €10,000 (inclusive of VAT) or more within any 12 month period, the subcontractor will be required to produce either a valid tax clearance certificate or demonstrate a satisfactory level of subcontractor tax compliance. (The subcontractor can demonstrate a satisfactory level of subcontractor tax compliance by producing a *Subcontractor's Notification of Rate Determination* showing a rate determined by Revenue of 0% or 20 %.) Any queries on the operation of Circular 43/2006, as revised, should be directed to the Department of Finance.

***Note that irrespective of whether the subcontractor has a tax clearance certificate or not, the Board must operate RCT, and VAT where appropriate, on sums paid under relevant contracts.***

**B3 Where the main contractor engages subcontractors, who is responsible for ensuring that payments to those subcontractors are accounted for correctly?**

Generally the main contractor is responsible for ensuring that the correct procedures are followed in relation to payments made to subcontractors engaged by them, unless there are special arrangements in the contract awarded to the main contractor. Department of Finance Circular 43/2006 contains some provisions in this regard.

**B4 Must every relevant contract be notified to Revenue?**

Principal contractors are required to notify each contract separately **unless** the contracts are considered to be part of an ongoing contract with the subcontractor (see next question).

**B5 A school has multiple contracts with the same subcontractor. Must each contract be notified separately?**

Strictly each contract must be notified to Revenue. However Revenue is aware that many principal contractors are in ongoing or rolling contracts with subcontractors. In schools, these would mainly be maintenance and repair contracts but could include other relevant operations.

**Multiple, ongoing or rolling contracts:**

Where there is an on-going contractual relationship (also known as a rolling contract) between a principal contractor and a subcontractor, a single contract notification will normally suffice. This includes situations where the jobs do not succeed each other immediately.

The conditions are that

- The terms of the contract do not change;
- The parties to the contract do not change; and
- The subcontractor does not have to compete for the work (i.e. submit a new tender for each contract).

This treatment is covered in more detail in Questions 9 and 10 of the [FAQs \(Principal Contractors\)](#)

**B6 Will there be only one Site Identification Number for each school/campus?**

In general a new site and a subsequent new SIN should be created for each overall Project. Within this there are possibilities where multiple SINs would exist for the same contract locations – this would occur where those contracts are not related to the same Project. Further information and examples are available [here](#).

**B7 What information must a school get from a subcontractor to enable them register a contract.**

The subcontractor must provide the school with their name and tax reference number. Other information that the school must supply to Revenue will be available from the contract.

Where the subcontractor does not provide a tax reference number further information will be required. Full details are available at [www.revenue.ie/en/tax/rct/contract-notification.pdf](http://www.revenue.ie/en/tax/rct/contract-notification.pdf)

**B8 Principal Contractors are obliged to establish the identity of the subcontractor. How should they do this?**

There is an onus on the principal contractor to establish the identity of the subcontractor who is party to the contract under RCT legislation. This should be a priority for the school in any case, to satisfy a range of Insurance, Health & Safety and Department of Finance requirements.

The Income Tax and Corporation Tax (Relevant Contracts Tax) Regulations 2012 require a principal contractor to be satisfied as to the identity of the subcontractor. They also oblige a principal contractor to request documentary evidence of identity and to make and retain a copy of the documentary evidence provided, or record and retain relevant details from the documentary evidence given.

There are, therefore, two requirements:

- To be satisfied as to the identity of the subcontractor
- To record the check carried out

A board should establish the identity of any subcontractor before awarding a relevant contract. Where there are ongoing contracts, all parties will be well known to each other and there is no issue. However, the principal will need to check documentary evidence. In the normal course of business, subcontractors will have to provide the board with details such as insurance cover, health and safety compliance, VAT document/invoice etc. and this will normally suffice.

**B9 Sometimes an invoice/document will be for an RCT operation while RCT would not apply to other invoices/documents from the same subcontractor. What is the correct procedure?**

In looking at specific items on an invoice/document it is important to remember that RCT should be operated where there is a relevant *contract* between a principal contractor and a subcontractor to carry out relevant operations.

*If any part of a contract is a relevant operation then all payments under the contract are within the scope of RCT.*

It is essential then that the detail of the contract is considered rather than merely looking at each individual invoice/document.

## **B10 What are the common areas where difficulties arise in determining whether a contract is a relevant contract or not?**

In general, the RCT treatment of the construction of new buildings or structures is straightforward and clear cut. Where a contract is for "supply and fit", and the fitting is a construction operation, then RCT will apply to all payments under that contract.

### **B10.1 What is the distinction between fixtures and fittings?**

Fixtures are goods, which have become attached to buildings in such a way that they cannot be removed without substantial damage being caused to the goods themselves or to the building to which they are attached.

As distinct from fixtures, fittings are goods, which, though often attached to buildings, can be removed without substantial damage being caused to the goods themselves or to the building to which they are attached.

Fixtures do not include carpets and other floor coverings (other than floor covering stuck down over its entire surface), cookers, hobs, gas and electric fires.

### **B10.2 What is the distinction between repairs and maintenance?**

**Repair:** Repair is generally considered to be an operation carried out to fix, mend or restore the building/structure to its previous condition. Examples of repair include the replacement of constituent parts e.g. replacement of glass in a broken window, replace/fix broken tiles, mending faulty boiler. **The repair of a building or structure is considered to be a construction operation, and therefore subject to RCT.** Repairing removable machinery such as computers is not subject to RCT.

**Maintenance:** Maintenance is generally considered to be work carried out to keep the building, structure or associated lands, driveways etc. in proper or good condition. A maintenance contract is not within the remit of RCT. Routine cleaning is considered to be maintenance and is not subject to RCT. Maintenance includes operations such as cleaning gutters, roofs, carpets etc. and *routine* painting (other than painting of a newly constructed building).

However, if the contract is for maintenance *and* repair, then it is subject to RCT (where the repair related to a building, structure or system).

**Repair and Maintenance contracts:** If the contract provides for a single consideration for the repair *and* maintenance then RCT should apply to the *full* consideration, whether or not repairs are actually carried out. If the contract provides that a separate charge should apply where repairs are necessary then only the consideration applicable to the repairs is subject to RCT. Each case should be examined on its own merit.

## Alteration and Repairs

Many questions arise in relation to the meaning of alteration and repairs.

The phrase “alteration and repairs” is used in the legislation in four instances:

- *Buildings and structures*
- *Works forming or to form part of the land*

The **repair** of a building, structure, works forming part of the land or any works that have become part of the fabric of the building is considered to be a construction operation, and is therefore subject to RCT.

To be considered an **alteration**, there must be an element of materiality to the change in the building or structure. What is material? While the example given in the main body of the document says that replacing all windows is a material alteration, it does not say that RCT *only* applies where all the windows are replaced. The alteration must be significant. In most cases it will be obvious if the work is material or not. In a small school, replacing all of the windows in a single classroom might be material. In a large school it might not. There is a judgement call to be made and, once it is made in a reasonable manner, Revenue will accept that the decision to operate RCT or not was made in good faith. Your [local tax office](#) will be able to provide guidance on any specific issues.

- *Systems of heating, lighting, air-conditioning, soundproofing, ventilation, power supply, drainage, sanitation, water supply, or burglar or fire protection.*
- *Systems of telecommunications*

**Repairs** to systems are within the scope of the RCT legislation. However, many repairs to systems are carried out under maintenance contracts. While maintenance only contracts are outside of the scope of RCT, many contracts that are referred to as maintenance contracts for “systems” also include an element of repair. Where there is any element of repair, for example in servicing contracts, all payments under the contract are liable for RCT. It is important to remember that it is the contract itself that is the defining factor, not the individual invoices/documents issued under the contract.

Again, to be considered an **alteration** to a system, there must be an element of materiality to the change in the system. “Add-ons” to existing systems are not alterations and are therefore outside the scope of RCT.

**In relation to telecommunications, this is an evolving area. The installation of a single, stand alone PC is not considered to be the installation of a system of telecommunications. The supply of hardware/software, or an add-on to an existing system, is not within the scope of RCT.**

### B10.3 Can you give some specific examples?

Again it is important to examine the contract, rather than individual invoices/documents. Where the term invoice is used this should be taken as referring to an invoice or document depending on the circumstances.

The following examples relate to whether RCT applies to the contracts or not. The question as to whether the VAT Reverse Charge applies is set out in Section B11.

Ref	Item	Notes
B10.4	What RCT applies on a contract to <b>supply and install a prefab</b> ?	A prefab is a reasonably large item set in place on a permanent or semi-permanent basis and is considered to be a structure. If there is one contract, RCT applies to all of the payments under the contract.
B10.5	What RCT applies where there are <i>two</i> separate contracts, one <b>for supply of a prefab</b> and one for installation?	RCT only applies to the installation contract.
B10.6	What RCT applies where there are <i>two</i> separate contracts, one for hire of a prefab and one for installation, including groundworks?	RCT only applies to the installation contract.
B10.7	What RCT applies on a <i>single</i> contract for <b>hire and installation (including delivery and groundworks) of a prefab</b> ?	RCT applies to all of the payments under the contract.
B10.8	Does RCT apply to the supply and installation of new <b>lockers</b> for school?	If the lockers can be removed without causing structural damage, then the work is not within the scope of RCT. They do not alter the building or structure.
B10.9	A school is getting <b>a book-shelf</b> fitted along one full wall. Does RCT apply?	<p>There are many types of shelving available. Most do not come within the scope of RCT as they are attached by screws, can be easily removed (fitted rather than fixed) and do not alter the building or structure no matter how long they are.</p> <p>Some shelving is specifically designed (for the specific building or structure) and fixed and becomes an integral part of the structure and would therefore come within the scope of RCT. This however would normally happen at the design stage of the building or in the course of a major revamp.</p>
B10.10	Is the provision of a manned out of hours security presence subject to RCT?	The provision of security personnel would only be liable to RCT if it was specifically included in an overall construction contract.
B10.11	How are lift maintenance contracts that include call outs treated for RCT?	A lift is part of the fabric of a building, a fixture. Alterations or repairs would therefore come within the scope of RCT. If the contract includes any provision for repairs, whether carried out or not, then all payments under the contract are subject to RCT.
B10.12	Does RCT apply to <b>computer repairs and cleaning</b> ?	The repair and cleaning of <i>individual</i> computers is not subject to RCT. However, where there is a repair to a system of telecommunications, RCT applies.



B10.13	Does RCT apply to the <b>installation and configuration of computer access points</b> ?	Extensions to systems already in place such as whiteboards, projectors, connected to an existing computer system, are not considered to come within the scope of the legislation. As a general rule, alterations that become part of the fabric of a building or a structure come within RCT. For example, a contract for rewiring broadband would be within RCT, but supplying and plugging in a router would not. If there are specific queries in relation to whether a "telecommunications" contract comes within the scope of RCT, please send an email with full details of the nature of the work being carried out and the system being installed, repaired or altered to your <a href="#">local Revenue Office</a>
B10.14	Does RCT apply to the supply and installation of <b>Whiteboards</b> in a school?	The supply of whiteboards is not a construction operation. Revenue takes the view that whiteboards are an add-on to an existing system of telecommunications and therefore the installation of them is outside the scope of RCT. They do not constitute the alteration or repair of a system.
B10.15	Does RCT apply to a contract for <b>unblocking drains</b> ?	This is considered maintenance work and therefore not subject to RCT.
B10.16	Does RCT apply to <b>replacing locks on windows</b> ?	Replacing locks on windows would not be considered a repair or alteration that comes within the scope of RCT.
B10.17	Does RCT apply to <b>carpet cleaning</b> ?	Operations such as cleaning gutters, roofs, carpets etc. are considered maintenance and are not subject to RCT.
B10.18	Does RCT apply to <b>painting</b> ?	RCT applies to painting a building as part of an overall construction project as it renders the building complete. Where a painting job is not part of an overall construction project, it can only be a construction operation and subject to RCT if it is considered to be an alteration to a building. This will depend on the facts of the case. If it is a minor painting job, it would not be an alteration it would be classed as routine maintenance and not subject to RCT. However, a major painting job could be considered to contain a sufficient degree of alteration to the building and therefore be subject to RCT (see B10.2).
B10.19	If a school employs a <b>cleaner</b> to clean the school during the summer holidays, is this liable to RCT?	Routine cleaning is considered maintenance and is not subject to RCT. However if the cleaner is employed, and is an employee, then the earnings may be subject to PAYE/PRSI/USC. Guidance on determining whether a worker is an employee or self-employed contractor is available <a href="#">here</a>
B10.20	<b>Boiler Maintenance:</b> Twice a year a school has their boiler checked (maintenance) and, on the last inspection, a repair was carried out. Is the full payment for this invoice liable for RCT?	Taking these four examples together, the Board needs to go back to the original contracts with the service providers, rather than look at individual invoices. Repairs to systems of heating, fire alarms is a

B10.21	<b>Fire alarm service:</b> When the Engineer called, he found a fault on the fire alarm system and had to fit a new smoke detector. Is this liable for RCT?	construction operation. <i>Contracts that are for repair work, or for repair and maintenance, are within the scope of RCT.</i> If there is any element of repair included in the contract (the contract provides for a single consideration for the repair <i>and</i> maintenance), then the contract is a relevant contract and <i>all payments</i> under that contract are subject to RCT. However, if there are separate contracts, one covering maintenance and one covering repairs, then only the consideration applicable to the repairs is subject to RCT. In Revenue's experience, however, such contracts are a rarity. Most maintenance contracts will allow the service provider carry out repairs up to a set amount. If this is the case then all payments under the contract are subject to RCT. Each contract should be examined on its own merit.
B10.22	<b>Fire alarm:</b> An emergency call out to the school as a result of a fault in the alarm system that was fixed by the engineer. Is this charge liable for RCT?	
B10.23	<b>Service call:</b> A security keypad was faulty and the engineer had to replace the keypad? What part of the invoice is liable for RCT?	
B10.24	Can you comment on the correct application of RCT to small <b>electrical repairs/alterations</b> ?	Repairs to fixtures are within the scope of RCT. Electrical wiring and any connected lampholders, powerpoints and fuseboards etc. are <b>fixtures</b> and therefore within the scope of RCT. On the other hand, decorative lampshades etc. are <b>fittings</b> and do not come within the scope of RCT.
B10.25	The school has had a <b>new cooker and freezer</b> supplied and installed. Does RCT apply?	The supply of a freezer (fridge) or cooker connected to a mains is not within the scope of RCT.
B10.26	Does RCT apply where existing green areas are being <b>landscaped</b> ?	Landscaping is only a construction operation when it is carried out as part of rendering complete a construction project. Contracts for landscaping work entered into by boards of management where the landscaping is not part of an overall construction project are not within the RCT remit.
B10.27	Does RCT apply to <b>skip hire</b> ?	The hire of a skip in the course of construction operations is liable to RCT. RCT does not apply to the hire of a skip to dispose of general refuse.
B10.28	Does RCT apply to the supply and fitting of a new fire extinguisher?	The supply of fire extinguishers is not a construction operation. Fire extinguishers are generally fittings rather than fixtures. Installation of fittings is not a construction operation.
B10.29	Architects Fees	These are professional fees and not subject to RCT. As a board of management is not a designated body they are also not subject to Professional Services Withholding Tax.
B10.30	Does RCT apply to replacing bulbs in an overhead projector?	Replacing bulbs would be treated as maintenance. If, however, the work was carried out under a general contract for maintenance and repair, all payments under such contracts come within the scope of RCT.

## **B11 Mixed Contracts – operation of RCT and VAT Reverse Charge**

As set out in **B1**, where any part of a contract is for relevant operations then the contract as a whole is a relevant contract and all payments under that contract are liable for RCT. *The VAT Reverse Charge, however, only applies to payments that are in respect of construction operations, excluding haulage for hire.* Again, it is essential then that the contract is considered rather than merely looking at each individual invoice/document and this is an important principle that Boards need to consider when operating the RCT and VAT systems.

### **B11.1 Can you give an example as to how this operates in practice?**

**A Board engages a subcontractor to build and fit out a gym under a single contract-**

Construction costs - €500,000(VAT exclusive)

Fitting out of gym - €100,000(VAT exclusive)

#### **Relevant Contract Tax**

RCT applies to all of the payments under the contract. For RCT purposes, the Board must notify the total payment to Revenue i.e. the VAT exclusive payment for the construction PLUS the VAT inclusive payment for the fittings. Assuming for the purposes of the example that only one payment is made to the subcontractor, the Board will make payment Notification as follows:

Construction Service (VAT exclusive)	€500,000
Other service (VAT inclusive)	€123,000
Total payment notification	€623,000

If the subcontractor is at 20%, the RCT liability will be €124,600. The Subcontractor will be paid €498,400 (€623,000 less €124,600) and the total RCT due to be paid to Revenue by the Board is €124,600.

### **Value Added Tax**

The VAT Reverse Charge can only apply to the construction element i.e. the construction of the gym. The subcontractor, therefore, must issue two VAT invoices/documents:

- A document for the cost of the construction of the gym on which the VAT Reverse applies i.e. a Vat reverse charge invoice for €500,000. The Board is accountable for VAT at 13.5%. The document will contain the legend "VAT ON THIS SUPPLY TO BE ACCOUNTED FOR BY THE PRINCIPAL CONTRACTOR".
- A VAT invoice for the cost of the gym fittings that includes VAT at the 23% rate i.e. a VAT invoice for €100,000 plus VAT at 23%. (Not a construction service). The Board must pay the subcontractor the total invoice value of €123,000.

For VAT purposes, only the VAT Reverse Charged amount (for the construction) should be returned by the Board. The Board are not entitled to claim a VAT input for the VAT suffered at 23% on the fittings.

Board will account for RCT and VAT as follows:

VAT on Construction Service €500,000 @ 13.5% is €67,500 (T1 in VAT return)

No credit can be claimed for VAT incurred on gym fittings.

### **Two separate contracts are in place, one for the construction of the gym and one for the supply of the fittings?**

As there are two contracts, two invoices/documents should be issued.

RCT only applies to the payment under the construction contract.

VAT Reverse charge only applies to the payment under the construction contract.

### **B11.2 Is RCT calculated on the VAT inclusive or exclusive amount?**

Where the VAT Reverse Charge applies, RCT is charged on the VAT exclusive amount. Where the payment is subject to normal VAT rules (i.e. is not in respect of construction services) RCT is charged on the VAT inclusive amount.

## **Section C - Payments made under relevant contracts, the VAT Reverse Charge, Invoices.**

As set out in Section B, where any part of a contract is for relevant operations, then the contract as a whole is a relevant contract and all payments under that contract are liable for RCT.

*The VAT Reverse Charge, however, only applies to payments that are in respect of construction operations, excluding haulage for hire.*

Again, it is essential then that the detail of the contract is considered rather than merely looking at each individual invoice/document.

This is an important principle that Boards need to consider when accounting for RCT and VAT.

### **C1 How should “retention payments” be dealt with where the contract was entered into and the work was carried out prior to 1st January 2012.**

RCT, and consequently VAT, must be applied to all payments made after 1st January 2012 under a relevant contract, irrespective of when the contract itself was entered into.

### **C2 I have made a payment to a subcontractor without a Deduction Authorisation, what are the implications.**

As you have made an unreported payment (i.e. a payment made without having the required deduction authorisation) you shall be liable for a penalty.

The following penalty rates apply to unreported payments made after the 1<sup>st</sup> January 2015:

<b>Sub-Contractor Type</b>	<b>Penalty Rate</b>
“Unknown”	35%
0%	3%
20%	10%
35%	20%

The penalty becomes due when it is agreed by the Board of Management or decided by a Court.

For further information of Penalties please refer to the [Code of Practice for Revenue Audit](#) Section 5.5

### **C3 What do we do with subcontractors who are not registered for, and are not charging, VAT.**

If a subcontractor is not VAT registered because his/her turnover is under the threshold he will not have a VAT number. The VAT Reverse Charge will not apply. RCT, however, must be operated on all payments under a relevant contract.

**C4 Is RCT calculated on the VAT inclusive or exclusive amount?**

Where the VAT Reverse Charge applies, RCT is charged on the VAT exclusive amount.

Where the payment is subject to normal VAT rules (i.e. is not in respect of construction services), RCT is charged on the VAT inclusive amount.

**C5 What happens where the invoice covers supplies as well as construction services?**

**RCT:** Where any part of the contract is for a construction operation, it is a relevant contract for the purposes of RCT.

RCT must be operated on **all** payments made under that contract.

**VAT:** The VAT reverse charge should only be applied to those services that are construction operations. The supplier must issue two invoices/documents, a document for the cost of the construction operations on which the VAT Reverse applies and a VAT Invoice for the cost of the supplies includes VAT at the appropriate rate.

**C6 How will a Board know that they must account for VAT on the reverse charge basis?**

The invoice/document issued by the subcontractor will state "VAT ON THIS SUPPLY TO BE ACCOUNTED FOR BY THE PRINCIPAL CONTRACTOR". However the board should ensure that the correct documentation is received i.e.

- that an invoice/document received with the above notation are for services correctly subject to reverse charge and
- that where services supplied do not come within reverse charge a normal VAT invoice is received.

**C7 Some construction contracts include the supply and installation of fittings including floor coverings that are not stuck down over their entire surfaces and light fittings that are not recessed. Are these supplies and fittings subject to the reverse charge?**

No. Supply and installation of fittings are not services within the scope of the reverse charge legislation. A supplier should issue a separate VAT invoice charging VAT at 23% for the element of the contract which relates to supply and installation of fittings.

**C8 Can the Board account for VAT on the cash basis?**

The cash basis cannot be used for construction services supplied by a subcontractor to a principal contractor therefore the normal invoice basis applies. This means that the liability will be computed by reference to the total VAT shown on the **invoices**

issued in the two month VAT period irrespective of whether payment has been received or made.

A claim by a subcontractor for payment in advance of completion should not take the form of an invoice. If a contract provides for a period of retention, the invoice in respect of retention money should be raised within 15 days of the end of the month in which the guarantee period expires. VAT should be accounted for by reference to the date the invoice is raised or should have been raised.

## Section D - Returns and Payment of Taxes online

### D1 How often returns should be made to Revenue?

#### *RCT returns*

The usual RCT return period covers a calendar month. (See also the "Reduced frequency returns" paragraph below).

#### *VAT returns*

The usual VAT return period covers two calendar months (i.e. January/February, March/April and so on). (See also the "Reduced frequency returns" paragraph below).

#### *Reduced frequency returns*

Revenue has a policy of reducing the frequency of returns and payments for small businesses. The current guidelines in this regard are:

- Businesses making total annual VAT payments of less than €3,000 are eligible to file VAT returns and make their payments on a 6 monthly basis;
- Businesses making total annual VAT payments of between €3,000 and €14,400 are eligible to file VAT returns and make their payments on a 4 monthly basis;
- Businesses making total annual PAYE/PRSI payments of up to €28,800 are eligible to make their payments on a 3 monthly basis;
- Businesses making total annual RCT payments of up to €28,800 are eligible to file RCT returns and make payments on a 3 monthly basis

### D2 Why must Boards use ROS to file our returns?

**Revenue's Online Service (ROS)** is the method by which Revenue is delivering its interactive customer services electronically to the customer. It is an internet facility which provides Boards with a quick and secure facility to pay tax liabilities, file tax returns, access your tax details and claim repayments. The ROS facilities are available 24 hours a day, 7 days a week, 365 days a year. You can benefit from an extension to existing deadlines for paying tax and filing returns where you both pay and file using ROS.

Mandatory electronic payments and filing, using Revenue's Online Service (ROS), is part of Revenue's strategy to establish the use of electronic channels as the normal way of conducting tax business.

A new electronic **RCT** system was introduced on 1 January 2012. All principal contractors, which includes boards of management, are now obliged to engage electronically with Revenue through ROS and should

- Notify Revenue of all relevant contracts online
- Notify Revenue of all payments under relevant contracts online
- Submit monthly/quarterly returns online



- Make payments of RCT deducted online

*Since 1 June 2012 all VAT registered persons are required to pay and file returns electronically. This applies to all tax returns, including VAT.*

### **D3 How do Boards amend a payment on Deduction Summary?**

Details on amending the Deduction Summary are available on the Revenue website here: [www.revenue.ie/en/tax/rct/checking-your-summary.pdf](http://www.revenue.ie/en/tax/rct/checking-your-summary.pdf)

### **D4 How do Boards complete a VAT 3?**

Since 1 June 2012 all VAT registered persons are required to pay and file returns electronically. There are 4 stages involved in the filing of a VAT return. These are:

- Select the required period and enter the requisite data on the form, alternatively upload the file created offline
- Complete the payment detail instructions to debit your bank account with the amount to be paid
- Sign the return with your digital certificate and submit it to ROS
- Receive an acknowledgment from ROS that the return has been filed.

Each of these stages is carried out on separate screens. Having completed your entries on a screen you then proceed to the next screen.

There is a time line displayed on the top right hand side of each of the filing screens which indicates your current stage within the filing procedure.

### **D5 When should the RCT and VAT payment be paid to revenue?**

Customers who **pay and file** through ROS are entitled to an extended due date of the 23rd of the due month. As Boards are covered by the Mandatory eFiling provisions, they must pay and file through ROS.

The due date is extended to the 23rd of the due month provided the return is filed and any tax outstanding paid by that date. For **RCT**, the Deduction Summary is deemed to be a filed return on the due date. Therefore the principal contractor must ensure the full tax is paid on or before the due date.

For **VAT** the principal contractor must ensure the return is filed and the full tax is paid on or before the due date.

### **D6 Can Schools claim back VAT suffered on goods and services?**

Public bodies are generally not entitled to deductibility for VAT incurred; therefore the "VAT on Purchases" figure will be NIL. The VAT payable to Revenue will be the full amount of the VAT arising on the construction services.

**D7 How exactly do you pay electronically? Can taxes be paid from a school's bank account?**

The following payment methods are permitted when making a payment in ROS:

- ROS Debit Instruction (RDI).
- Laser Card.
- Debit Card.

More information on these payment methods is available on our website at <http://www.revenue.ie/en/online/ros/mandatory-e-filing.html>

**D8 Do Schools have to complete a Return of Trading Details Form at end of the year?**

The Return of Trading Details form must be completed by all traders registered for VAT.

The VAT RTD must be filed once a year. If Revenue's records indicate that a VAT RTD is due for a period for which you are filing a VAT3 you will be automatically brought to a VAT RTD input screen before proceeding to the Bank Details stage of the filing process. You can then make the appropriate entries in each of the fields displayed.

There is a Help feature available from the top left hand corner of this screen which gives detailed Help text on each of the data entry items. You can scroll through the Help screen to arrive at the required Help text.